

Message Text

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PAGE 01 PEKING 00445 130323Z

61-R
ACTION EA-06

INFO OCT-01 ISO-00 /007 W
----- 123789
R 120912Z MAR 76
FM USLO PEKING
TO SECSTATE WASHDC 5301

C O N F I D E N T I A L PEKING 0445

STADIS//////////

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EA FOR PRCM ONLY

E.O. 11652: GDS
TAGS: ETRD CH US
SUBJECT: YHAP TALKS WITH CHINATEX ON TEXTILE RESTRAINTS

REF: PEKING 0373

SUMMARY: ON MARCH 6, VERONICA YHAP OF THE TEXTILE COMMITTEE OF THE NCUSCT RAISED ISSUE OF POSSIBLE RESTRAINTS ON PRC TEXTILE EXPORTS TO THE US WITH A GROUP FROM CHINATEX, USING MATERIAL SUPPLIED HER IN WASHINGTON. CHINATEX PRESENTED COUNTER-ARGUMENTS, AND SAID THAT US IMPOSITION OF RESTRAINTS WOULD BE A "MOST UNFRIENDLY ACT." END SUMMARY

1. ON MARCH 6, VERONICA YHAP OF DRAGON LADY IMPORTS, AND CHAIRMAN OF THE TEXTILE COMMITTEE OF THE NCUSCT, RAISED THE PROBLEM OF RESTRAINTS ON EXPORTS OF TEXTILES FROM THE PRC TO THE US WITH CHINATEX. MS. YHAP HAD EXPECTED AN INFORMAL CHAT WITH A SMALL GROUP BUT FOUND HERSELF SPEAKING TO A LARGE GROUP CONCERNED WITH EXPORTS TO THE US. THE CHINATEX GROUP WAS WELL PREPARED FOR HER PRESENTATION AND HAD QUESTIONS AND COUNTER-ARGUMENTS READY.

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2. MS. YHAP'S PRESENTATION WAS BASED ON MATERIALS PREPARED

FOR HER BY NCUSCT AND INCLUDED SOME FIGURES PREPARED BY MIKE SMITH, WHO IS APPARENTLY WITH STR; INCIDENTALLY, SHE APPARENTLY BELIEVES THAT PRC TEXTILE EXPORTS TO THE US EXCEEDED \$100 MILLION IN 1975, WHEREAS FIGURES AVAILABLE TO US SHOW THAT THEY WERE LESS THAN \$40 MILLION.) SHE STRESSED THE STRONG REACTION OF THE INDUSTRY TO THE RAPID INCREASE IN CHINESE EXPORTS IN CERTAIN CATEGORIES, AND NOTED THE STRONG POLITICAL SUPPORT FOR RESTRAINTS DURING AN ELECTION YEAR.

3. MS. YHAP SAID CHINATEX REPLY MADE SIX POINTS. FIRST, A PART OF THE GRIEGE GOODS IMPORTED ARE PROCESSED AND REEXPORTED; M. LOWENSTEIN AND SONS AND CRANSTON PRINT WORKS WERE CITED AS TWO LEADING REEXPORTERS. SECOND, THE INCREASE IN CHINESE EXPORTS PROJECTED BY THE US INDUSTRY SIMPLY COULD NOT TAKE PLACE, SINCE CHINESE MILLS WERE ALREADY PRODUCING TO CAPACITY IN THE MOST POPULAR CATEGORIES. MS. YHAP ADDED THAT SHE KNEW THIS TO BE THE CASE IN CERTAIN ITEMS SHE IS IMPORTING FROM CHINA. THIRD, THE PROJECTED INCREASE COULD NOT TAKE PLACE BECAUSE CHINESE DOMESTIC AND OTHER FOREIGN DEMAND MUST BE MET. FOURTH, RESTRAINTS WOULD HURT IMPORTS OF US COTTON AND MANMADE RAW MATERIALS FROM THE US. MS. YHAP SAID SHE POINTED OUT THAT PRC HAD NOT BOUGHT ANY US COTTON SINCE 1974. CHINATEX REPLIED THAT THEY HAD RECENTLY DISCUSSED A SALE WITH A US EXPORTER, BUT THAT HIS PRICE HAD BEEN TOO HIGH. FIFTH, THE HIGH TARIFFS PAID ON CHINESE EXPORTS TO THE US WERE ADEQUATE PROTECTION TO THE US INDUSTRY. SIXTH, THE CHINESE STRESSED THAT THE IMPOSITION OF RESTRAINTS BY THE US WOULD BE A "MOST UNFRIENDLY ACT."

4. COMMENT: MS. YHAP FOUND THAT CHINATEX VERY ATTENTIVE, WELL INFORMED, AND READY FOR THE ARGUMENTS SHE PRESENTED. SHE THINKS THEIR INCLINATION IS TO STONEWALL. WHILE MS. YHAP SAID SHE SPOKE AS A PRIVATE BUSINESSWOMAN AND AS A MEMBER OF THE NCUSCT TEXTILE COMMITTEE, WE SUSPECT THAT HER DEMARCHE MAY HAVE BEEN CONSIDERED SEMI-OFFICIAL BY CHINATEX AND THE PRC, PARTICULARLY SINCE HER DATA ON THE PROBLEM CAME DIRECTLY OR INDIRECTLY FROM CONFIDENTIAL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PEKING00445
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760095-0098
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760366/aaaacghj.tel
Line Count: 109
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 76 PEKING 373
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2004 by ShawDG>; APPROVED <20 SEP 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YHAP TALKS WITH CHINATEX ON TEXTILE RESTRAINTS
TAGS: ETRD, CH, US, (YHAP, VERONICA)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006